

Markets This Week Ahead of the Open

Key Takeaways

- Equity markets extended the past week's decline as rising yields continue to pressure investor sentiment
 - U.S. and Iran resolution efforts remain uncertain, with talks repeatedly stalling and resuming
 - Fed minutes suggest that policymakers aren't afraid of hiking rates if inflationary pressures persist
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This past week, investors were faced with another volatile week in markets as inflation concerns and geopolitical uncertainty remained rampant. To start the week, equity markets extended their losses from Friday as yields continued to rise. Growing concerns surrounding the ongoing energy crisis and a more restrictive Fed were the driving forces behind this move. Alongside the advance of yields, oil prices also extended their gains from Friday, opening the week at \$110 per barrel. Rising yields, historically, have compressed valuations throughout markets, especially for growth stocks. In the past month, rallies in markets have been driven by enthusiasm in tech names. However, since last Friday, they've led the market's decline due to rising yields.

Losses in equity markets continued throughout the next day as well, as yields approached record-levels. At their peak, ten-year Treasury yields reached 4.67%, their highest level since 2007. Meanwhile, thirty-year Treasury yields also hit their highest level since 2007, topping out at 5.19%. However, these advances started to reverse on Wednesday, as resolution talks sparked once again between Iran and the U.S. President Trump announced that negotiations had entered into their final phase, with the Iranians wanting to make a deal. Markets rallied on the news, consistent with past reactions to resolution developments. Investor enthusiasm for Nvidia's earnings had also added to this rally.

After the market closed on Wednesday, Nvidia reported its first quarter earnings. Financials went largely above analyst estimates, and as did guidance. Alongside this, the company raised its quarterly dividend amount, and expanded its buyback program. Markets, however, were unfazed by the report, with shares declining after its release. Sustainability of hyperscaler spending paired with heightened investor expectations contributed to this post-report decline.

The following day, markets reversed gains from Wednesday's session as they digested another development surrounding the Iranian conflict. This time, Iran's Supreme Leader announced that the country would not give up its enriched uranium, a focal point of negotiations. Investors initially reacted negatively to the announcement, but sentiment improved over time. Part of this reversal was driven by the Department of Commerce's announcement of funding for quantum technology under the CHIPS Act. IBM was the largest beneficiary of the recent funding, receiving 50% of the total allocation, or \$1 billion.

The week's final major development came on Friday with the release of the Fed minutes from its latest FOMC meeting. The minutes showed that policymakers weren't afraid of hiking rates if inflation continues to persist above the 2% benchmark. This notion added on to any pre-existing concerns regarding a more restrictive Fed. Nevertheless, despite this release markets still closed higher on the day and ended the week on a positive note. Moving forward, the main focal point of markets continues to remain on relations between Iran and the U.S. The conflict's resulting energy crisis has started to weigh down on valuations, and may continue to do so if no resolution is met. The Strait of Hormuz's reopening remains crucial, as it would significantly help alleviate ongoing inflation and monetary policy concerns.